

Exhibit No. 3

Date 3-26-07

Bill No. HB 818; HB 819; HB 820

Budget Update to Senate Finance and Claims

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March 26, 2007

Schweitzer Yellow Book Principles I

- Cap on Ongoing Spending - \$1.8 billion in FY 2009
 - Limits anticipated level of expenditure close to the level of anticipated long term revenue trend
 - Net reductions in revenue count against the \$1.8 billion cap
- Cap on One-time Spending - \$500 million
 - Safety valve reducing these amounts if revenues plummet

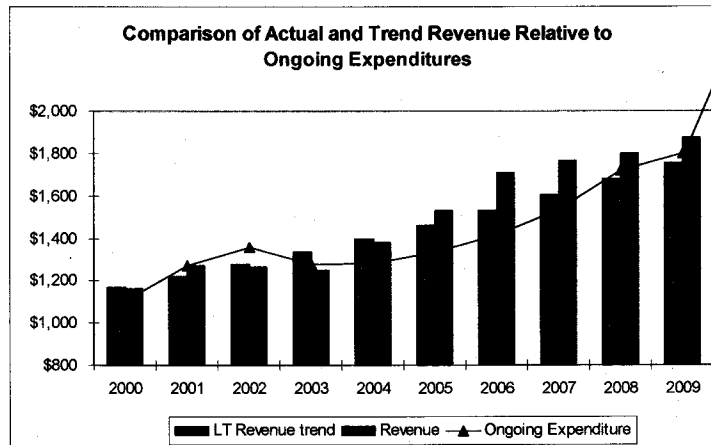
Schweitzer Yellow Book Principles II

- Pay Cash – no new debt
- Cash in the bank – minimum of \$100 million ending fund balance
- Savings account – SB 137, Senator Liabe's bill, is a joint Legislative and Executive proposal

Why?

- Revenue Risk in this biennium
- Not building the base level of expenditures above long-term revenue growth

Expenditures Compared to Long-term Revenue Trend



Detailed Budget Sheet Notes

- Revenue assumed to be HJR 2
- Expenditures
 - Governor's Budget OR Subcommittee Action
 - Pay plan
 - Supplemental bill
 - Other assumed to be required bills
 - Long-range building
 - Actuarial Funding
 - School Funding at Governor's level

**2009 Biennium General Fund Balance
Status with HJR2 Revenue and Minimal Expenditures**

		<u>Governor's budget</u>				<u>Subcommittee Action</u>	
		Actual FY 2006	Projected FY 2007	FY 2008	FY 2009	FY 2008	FY 2009
Balance		297,440,549	422,114,978	413,646,806	357,815,455	413,646,806	373,340,386
	Adjustments	(16,687,595)	(8,255,123)				
	Adjusted Balance	280,752,954	413,859,855	413,646,806	357,815,455	413,646,806	373,340,386
Revenue							
	HJR 2 Revenue	1,708,165,706	1,762,355,000	1,797,764,000	1,875,209,000	1,797,764,000	1,875,209,000
	HB3 impacts		1,763,042				
Revenue Total		1,708,165,706	1,764,118,042	1,797,764,000	1,875,209,000	1,797,764,000	1,875,209,000
Available Funds		1,988,918,660	2,177,977,897	2,211,410,806	2,233,024,455	2,211,410,806	2,248,549,386
Ongoing - budget bills							
Section Name		FY 2006	FY 2007	FY 2008	FY 2009	FY 2008	FY 2009
A - General Government and Transportation				86,125,171	87,361,730	69,180,294	70,146,460
A - Judiciary				32,302,570	32,420,848	32,376,061	32,499,724
A - Legislature				9,507,883	9,666,163	9,907,747	9,666,023
B - Public Health and Human Services				371,687,356	389,786,208	372,136,235	400,331,224
C - Natural Resources and Commerce				35,185,939	34,974,485	33,471,295	33,473,831
D - Public Safety and Justice				198,552,170	207,473,439	196,890,690	202,800,581
E - Education K12				644,700,823	658,435,701	594,338,432	598,030,304
E - Education MUS				160,259,615	167,195,459	160,001,497	166,550,843
Subtotal		1,269,537,107	1,355,653,490	1,538,321,527	1,587,314,033	1,468,302,251	1,513,498,990
OTO - budget bills							
A - General Government and Transportation				9,937,002	3,549,055	5,651,292	1,573,818
A - Judiciary				300,000	-	300,000	-
B - Public Health and Human Services				3,401,297	1,792,669	6,524,251	5,503,401
C - Natural Resources and Commerce				20,198,510	7,890,933	19,261,904	7,333,399
D - Public Safety and Justice				8,447,471	836,054	9,237,215	1,739,119
E - Education K12				596,420	362,500	73,920	-
E - Education MUS				6,271,099	703,901	5,441,262	466,805
Subtotal		47,929,871	52,439,380	49,151,799	15,135,112	46,489,844	16,616,542
Total Budget Bills		1,317,466,978	1,408,092,870	1,587,473,326	1,602,449,145	1,514,792,095	1,530,115,532
Other Required Expenditures							
Statutory Appropriations		120,290,903	150,554,351	140,719,000	140,864,000	140,719,000	140,864,000
Emergency Statutory				16,000,000		16,000,000	
Miscellaneous Appropriations		102,914,391	6,054,169	-	-	-	-
Non-budgeted Transfers		24,272,009	28,920,534	9,126,000	9,310,000	9,126,000	9,310,000
Supplemental Appropriations		-	82,772,438	-	-	-	-
Language Appropriations		706,286	635,784	1,000,000	-	-	-
Feed Bill Appropriations		1,153,115	11,397,945		8,633,000	-	8,633,000
Anticipated Reversions		-	(27,297,000)	(3,204,000)	(4,344,000)	(3,204,000)	(4,344,000)
Pay Plan				20,148,504	38,455,857	20,148,504	38,455,857
Assumed Required Bills							
HB 5 Long-Range Building Planning - OTO				50,375,000	50,375,000	50,375,000	50,375,000
HB14 Information Technology Planning - OTO			3,200,000	17,766,965	33,505,165	17,766,965	33,505,165
HB 63 Actuarial Funding bills - TRS ongoing			100,000,000	13,227,624	13,754,178	13,227,624	13,754,178
HB 131 Actuarial Funding bills - all others ongoing				962,932	1,004,138	962,932	1,004,138
SB 79 Deferred Maintenance ongoing						7,150,000	7,150,000
SB 152 School funding to Governor's budget level ongoing						50,608,800	60,639,106
SB 152 School funding to Governor's budget level OTO						397,500	237,500
Total Expenditures		1,566,803,682	1,764,331,091	1,853,595,351	1,894,006,483	1,838,070,420	1,889,699,476
Total Expenditures - Ongoing		1,401,363,172	1,661,131,091	1,720,301,587	1,794,991,206	1,707,041,111	1,788,965,269
Total Expenditures - OTO		165,440,510	103,200,000	133,293,764	99,015,277	131,029,309	100,734,207
Remaining to get to \$1.8 billion ongoing FY 2009					(5,008,794)		(11,034,731)
Remaining to get to \$500 million OTO					(164,490,959)		(165,036,484)
Ending fund balance includes \$100 million and Budget Stabilization							
		422,114,978	413,646,806	357,815,455	169,518,219	373,340,386	182,778,695

Not Included on Status Sheet - Revenue

■ No revenue increases or decreases such as:

- ☐ Governor's Tax Rebate
 - ☐ Renter's Tax Credit
 - ☐ Revise Motor Vehicle Laws
 - ☐ Permanent property tax reductions
 - ☐ Tax credit for donations
 - ☐ Bed tax for Tourism
 - ☐ Energy Tax Credits
 - ☐ Many others....
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Not Included on Status Sheet - Revenue

■ No other "Cat & Dog" Expenditures such as:

- ☐ Dental School
 - ☐ Drug Courts
 - ☐ Libby asbestos medical plan
 - ☐ Fish for Free
 - ☐ Water Compacts
 - ☐ Indian Education for all increase
 - ☐ Children's healthcare act
 - ☐ Veteran's war bonus program
 - ☐ Many others....
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General Fund Remaining for Other Priorities

- Even with these limited expenditures, the available ongoing funding available for additional expenditures or revenue reductions is very limited
 - Governor's Budget leaves \$5 million ongoing
 - Subcommittee action leaves \$11 million ongoing
- OTO funding is about \$165 million under either version

Comments on Other Funds

- Structural Balance is an issue in other funding sources as well
- Two funding streams of significant concern are:
 - RIT
 - I-149 (Health and Medical Initiatives Account)
- As we go through the process we will have amendments to insure the sustainability and fund balances of other funds as well as general fund

Administration Position

- Work with the Senate and the House to develop a plan to provide stable, sustainable programs for the 2009 biennium and beyond
- Currently working on plans with agencies to help Senate Finance and Claims bring the budget as a whole into structural balance

Questions?